

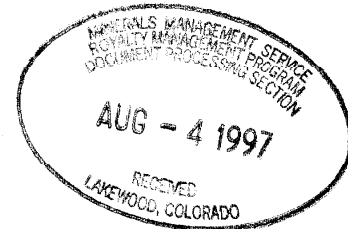
SPIRIT ENERGY 76

New Name. Same Spirit.
A Business Unit of Unocal

August 1, 1997

Via Airborne Express

Mr. David S. Guzy
Chief, Rules and Publications Staff
Minerals Management Service
Royalty Management Program
Building 85
Denver Federal Center
Denver, CO 80225



RE: Establishing Oil Value For Royalty Due On Federal Leases
and On Sale Of Federal Royalty Oil-62 Fed. Reg.36030 (July 3, 1997)

Dear Mr. Guzy:

Spirit Energy 76, a business unit of Union Oil Company of California d.b.a. Unocal, welcomes the opportunity to comment on the MMS' Supplementary Proposed Rule governing oil valuation for federal leases. Spirit Energy 76 ("Spirit") is a Federal lessee and because of the impact this supplementary rule would have on royalty payments, it is an interested party. Accordingly, Spirit hereby submits its comments which are discussed in more detail herein.

Generally, Spirit is disappointed with the MMS' Supplementary Proposed Rule. Spirit does not believe the Supplementary Proposed Rule responds to all of the concerns and comments raised by the industry during the public comments and hearing process.

Specifically, Spirit does not agree with the MMS' proposed definition of Non-Competitive Crude Oil Call contained within Section 206.101. Spirit disagrees with the MMS' requirement that call language must include a "Most Favored Nations" clause in order to be considered competitive. Moreover, Spirit believes that obtaining prices under the "Most Favored Nations" clause would be extremely difficult and burdensome on the industry and legally impractical. In addition, Spirit believes that the difficulty in verifying prices, the fluctuation of prices and other similar tracking issues would make it almost impossible to satisfy this requirement. Accordingly, Spirit disagrees with the definition and requests that the definition be modified or deleted.

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With respect to whether the MMS should require a Lessee using gross proceeds to certify that they are not maintaining an "overall balance", Spirit does not believe this certification is necessary as the form MMS-2014 currently certifies that pricing is based on gross proceeds; hence, there is no overall balance issue.

Spirit strongly believes that section 206.102(a)(6) should be deleted and should not be amended to specify purchase levels below which a lessee would not be required to value using index value.

With respect to the usefulness of collecting information about exchanges between two aggregation points, Spirit is opposed to the additional data collection efforts for Form 4415 for reasons already set forth in Spirit's April 25, 1997 letter which is incorporated herein for all intents and purposes.

Spirit urges the MMS to withdraw the proposed supplementary rule for the reasons already stated herein. Spirit would also encourage the MMS to avoid issuing any interim or final rule until the industry has had an opportunity to comment on any future revisions or supplements to the originally proposed rule.

Should you have any questions or comments, please do not hesitate to contact at (281) 287-5087. Thank you for the opportunity to respond to the proposed rule.

Best regards,
Spirit Energy 76, a business unit of
Union Oil Company of California

By: 

Veronica H. Roa

Its: Attorney

VHR:car